

**TOWNSHIP OF ADDISON
Oakland County, Michigan**

AUDITED FINANCIAL REPORT

**For the Fiscal Year Ended
March 31, 2008**

TOWNSHIP OF ADDISON
For the Year Ended March 31, 2008

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FINANCIAL SECTION

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Independent Auditor's Report

December 10, 2008

To the Board of Trustees
Township of Addison
Oakland County, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining information of the Township of Addison, Michigan, as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township of Addison's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Addison as of March 31, 2008, and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Board of Trustees
Township of Addison
December 10, 2008

The management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Respectfully,

A handwritten signature in black ink that reads "Post Smythe Lutz and Ziel of Plymouth". The signature is written in a cursive, flowing style.

Post, Smythe, Lutz and Ziel of Plymouth LLP
Certified Public Accountants

Management's Discussion and Analysis

As management of the Township of Addison, we offer readers of the Township of Addison's financial statements this narrative overview and analysis of the financial activities of the Township of Addison for the fiscal year ended March 31, 2008.

Financial Highlights

- The assets of the Township of Addison exceeded its liabilities at the close of the most recent fiscal year by \$8,444,180 (*net assets*). Of this amount, \$4,188,962 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, the Township of Addison's governmental funds reported combined ending fund balances of \$4,302,344, an increase of \$558,916 in comparison with the prior year. Approximately 98 percent of this amount, \$4,213,619 is *available for spending* at the government's discretion (*unreserved fund balance*).

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Township of Addison's basic financial statements. The Township of Addison's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Township of Addison's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Township of Addison's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of The Township of Addison is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements present functions of the Township that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The governmental activities of the Township of Addison include general government, public safety, planning and zoning, public works, and recreation and culture. The government-wide financial statements can be found on pages 8-9 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township of Addison, like other state and local governments, used fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township of Addison can be divided into either governmental funds or fiduciary fund categories.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Township of Addison maintains 6 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Police Protection Special Revenue Fund, Fire Operating Special Revenue Fund, Fire Capital Special Revenue Fund, and the Glen Meadow Special Assessment Debt Service Fund, all of which are considered to be major funds.

A budgetary comparison statement has been provided for the General, Police Protection, Fire Operating, and Fire Capital Funds to demonstrate compliance with the annual appropriated budget.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the Township of Addison's own programs.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Township of Addison, assets exceeded liabilities by \$8,444,180 at the close of the most recent fiscal year.

A significant portion of The Township of Addison's net assets (49 percent) reflects its investment in capital assets (e.g., land, buildings, vehicles, and equipment), less any related debt used to acquire those assets that is still outstanding. The Township of Addison uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Township of Addison's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Township of Addison's Net Assets

	2008	2007
Current and other assets	\$4,421,247	\$3,880,788
Capital Assets	4,955,782	5,078,653
Total Assets	<u>9,377,029</u>	<u>8,959,441</u>
Long-term liabilities	813,946	901,083
Other liabilities	118,903	137,360
Total Liabilities	<u>932,849</u>	<u>1,038,443</u>
Net Assets:		
Invested in capital assets, net of related debt	4,166,493	4,188,477
Restricted	88,725	85,589
Unrestricted	4,188,962	3,646,932
Total Net Assets	<u>\$8,444,180</u>	<u>\$7,920,998</u>

An additional portion of the Township of Addison's net assets (1 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$4,188,962) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Township of Addison is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental activities. The Township's net assets increased by \$523,182 during the current fiscal year.

The increase in net assets, is presented in the table below:

	2008	2007
Program Revenues:		
Charges for Services	\$ 322,817	\$ 300,646
Operating Grants & Contributions	23,867	8,696
Capital Grants & Contributions	126,666	-
General Revenues:		
Property Taxes	2,404,084	2,307,851
State Shared Revenues	432,570	428,879
Unrestricted Investment Earnings	163,924	112,076
Other	-	5,967
Total Revenues	<u>3,473,928</u>	<u>3,164,115</u>
Program Expenses:		
General Government	741,769	751,671
Public Safety	1,920,299	1,721,102
Planning and Zoning	43,001	45,427
Public Works	198,790	24,023
Recreation and Cultural	8,840	7,384
Interest on Long-Term Debt	38,047	39,652
Total Expenses	<u>2,950,746</u>	<u>2,589,259</u>
Change in Net Assets	<u>\$ 523,182</u>	<u>\$ 574,856</u>

Governmental funds. The focus of the Township of Addison's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Township of Addison's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Township of Addison's governmental funds reported combined ending fund balances of \$4,302,344, an increase of \$558,916 in comparison with the prior year. The *unreserved fund balance*, which is the amount available for spending at the government's discretion, represents 98% of the total fund balance. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed to uphold agreements (\$88,725).

The general fund is the chief operating fund of The Township of Addison. At the end of the current fiscal year, unreserved fund balance of the general fund was \$1,503,210, while total fund balance is \$1,589,056. The fund balance of the Township of Addison's general fund increased by \$179,514 during the current fiscal year.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were minor adjustments within departments. The road expenditure budget was amended to reflect the Tri-Party road project which was administered through the Oakland County Road Commission.

Capital Asset and Debt Administration

Capital assets. The Township of Addison's investment in capital assets for its governmental activities as of March 31, 2008, amounts to \$4,955,782 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, vehicles and equipment, and parks. The decrease in the Township of Addison's investment in capital assets for the current fiscal year was 2 percent, as a result of depreciation.

Long-term debt. At the end of the current fiscal year, the Township of Addison had total debt outstanding of \$813,946 including \$535,289 of installment loans payable, and \$254,000 of special assessment bonds. All of The Township of Addison's debt represents general obligation debt backed by the full faith and credit of The Township of Addison, subject to constitutional limit.

Additional information on the Township of Addison's long-term debt can be found in note IV. D. on pages 26-27 of this report.

Economic Factors and Next Year's Budgets and Rates

Increases in the Township's taxable value have provided additional revenue while the total millage rate has been reduced due to Headlee roll backs, providing a minimal increase in tax revenues to the Township. Also, the Township has not filled some of the positions that are currently open, but rather has had existing staff absorb those duties to keep costs down.

Requests for Information

This financial report is designed to provide a general overview of the Township of Addison's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Township Supervisor, 1440 Rochester Road, Leonard, MI 48367.

BASIC FINANCIAL STATEMENTS

TOWNSHIP OF ADDISON
Statement of Net Assets
March 31, 2008

	Governmental Activities
<u>ASSETS</u>	
Cash and Cash Equivalents	\$ 1,609,557
Restricted Assets - Cash	85,846
Receivables (net of allowance for uncollectibles):	
Taxes	2,486,900
Due from Other Governmental Units	65,926
Prepaid Expenses	173,018
Capital Assets (Net of Accumulated Depreciation)	4,955,782
Total Assets	<u>9,377,029</u>
 <u>LIABILITIES</u>	
Accounts Payable	97,253
Accrued Liabilities	21,650
Noncurrent Liabilities:	
Due within one year	107,631
Due in more than one year	706,315
Total Liabilities	<u>932,849</u>
 <u>NET ASSETS</u>	
Invested in Capital Assets, net of related debt	4,166,493
Restricted for:	
Cemetery	1,953
Gravel Site	85,846
Debt	926
Unrestricted	4,188,962
Total Net Assets	<u>\$ 8,444,180</u>

TOWNSHIP OF ADDISON
Statement of Activities
For the Year Ended March 31, 2008

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
Governmental Activities:					
General Government	\$ 741,769	\$ 101,432	\$ 23,867	\$ -	\$ (616,470)
Public Safety	1,920,299	188,782	-	-	(1,731,517)
Planning and Zoning	43,001	32,603	-	-	(10,398)
Public Works	198,790	-	-	126,666	(72,124)
Recreation and Cultural	8,840	-	-	-	(8,840)
Interest on Long-Term Debt	38,047	-	-	-	(38,047)
Total Governmental Activities	<u>\$ 2,950,746</u>	<u>\$ 322,817</u>	<u>\$ 23,867</u>	<u>\$ 126,666</u>	<u>(2,477,396)</u>
General Revenues:					
Property Taxes					2,404,084
State Shared Revenue					432,570
Unrestricted Investment Earnings					163,924
Total General Revenues					<u>3,000,578</u>
Change in Net Assets					523,182
Net Assets - Beginning					<u>7,920,998</u>
Net Assets - Ending					<u>\$ 8,444,180</u>

TOWNSHIP OF ADDISON
Balance Sheet
Governmental Funds
March 31, 2008

	<u>General</u>	<u>Police Protection</u>	<u>Fire Operating</u>	<u>Fire Capital</u>
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 1,015,419	\$ 285,804	\$ 136,430	\$ 169,025
Restricted Assets	85,846	-	-	-
Receivables (net of allowance for uncollectibles):				
Taxes	448,335	1,114,088	704,781	219,696
Special Assessment	-	-	-	-
Due from Other Funds	525	2,299	-	-
Due from Other Units	65,926	-	-	-
Prepaid Expenditures	-	-	-	173,018
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 1,616,051</u>	<u>\$ 1,402,191</u>	<u>\$ 841,211</u>	<u>\$ 561,739</u>
 <u>LIABILITIES AND FUND BALANCE</u>				
Liabilities:				
Accounts Payable	\$ 12,925	\$ 79,949	\$ 4,379	\$ -
Accrued and Other Liabilities	11,771	-	9,879	-
Due to Other Funds	2,299	-	525	-
Deferred Revenue	-	-	-	-
Total Liabilities	<u>26,995</u>	<u>79,949</u>	<u>14,783</u>	<u>-</u>
Fund Balances:				
Reserved	85,846	-	-	-
Unreserved for:				
General Fund	1,503,210	-	-	-
Special Revenue Funds	-	1,322,242	826,428	561,739
Total Fund Balances	<u>1,589,056</u>	<u>1,322,242</u>	<u>826,428</u>	<u>561,739</u>
Total Liabilities and Fund Balances	<u>\$ 1,616,051</u>	<u>\$ 1,402,191</u>	<u>\$ 841,211</u>	<u>\$ 561,739</u>

Amounts reported for governmental activities in the statement of net assets are different because:

Capital Assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Net Assets of Governmental Activities

Glen Meadow Special Assessment Debt Service	Other Governmental Funds Permanent Fund Cemetery	Total Governmental Funds
\$ 926	\$ 1,953	\$ 1,609,557
-	-	85,846
-	-	2,486,900
326,200	-	326,200
-	-	2,824
-	-	65,926
-	-	173,018
<u>\$ 327,126</u>	<u>\$ 1,953</u>	<u>\$ 4,750,271</u>
\$ -	\$ -	\$ 97,253
-	-	21,650
-	-	2,824
326,200	-	326,200
<u>326,200</u>	<u>-</u>	<u>447,927</u>
926	1,953	88,725
-	-	1,503,210
-	-	2,710,409
<u>926</u>	<u>1,953</u>	<u>4,302,344</u>
<u>\$ 327,126</u>	<u>\$ 1,953</u>	
		4,955,782
		<u>(813,946)</u>
		<u>\$ 8,444,180</u>

TOWNSHIP OF ADDISON
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended March 31, 2008

	<u>General</u>	<u>Police Protection</u>	<u>Fire Operating</u>	<u>Fire Capital</u>
<u>Revenues</u>				
Property Taxes	\$ 365,516	\$ 1,114,088	\$ 704,781	\$ 219,699
Licenses and Permits	82,760	-	-	-
Intergovernmental:				
Federal, State and Local	537,704	-	-	-
Charges for Services	119,662	-	-	-
Special Assessments	-	-	-	-
Interest	101,292	22,422	23,972	16,204
Other	18,970	25,870	81,754	-
Total Revenues	<u>1,225,904</u>	<u>1,162,380</u>	<u>810,507</u>	<u>235,903</u>
<u>Expenditures</u>				
Current:				
General Government	739,245	-	-	-
Public Safety	65,208	931,830	759,490	28,369
Planning and Zoning	43,001	-	-	-
Public Works	190,096	-	-	-
Recreation and Cultural	8,840	-	-	-
Debt Service:				
Principal	-	-	-	78,887
Interest and Other Charges	-	-	-	21,773
Capital Outlay	-	-	-	9,999
Total Expenditures	<u>1,046,390</u>	<u>931,830</u>	<u>759,490</u>	<u>139,028</u>
Excess (Deficiency) of Revenues Over Expenditures	179,514	230,550	51,017	96,875
Fund Balances - Beginning	<u>1,409,542</u>	<u>1,091,692</u>	<u>775,411</u>	<u>464,864</u>
Fund Balances - Ending	<u>\$ 1,589,056</u>	<u>\$ 1,322,242</u>	<u>\$ 826,428</u>	<u>\$ 561,739</u>

Glen Meadow Special Assessment Debt Service	Other Governmental Funds Permanent Fund Cemetery	Total Governmental Funds
\$ -	\$ -	\$ 2,404,084
-	-	82,760
-	-	537,704
-	-	119,662
39,200	-	39,200
-	34	163,924
-	-	126,594
<u>39,200</u>	<u>34</u>	<u>3,473,928</u>
-	-	739,245
-	-	1,784,897
-	-	43,001
-	-	190,096
-	-	8,840
22,000	-	100,887
16,274	-	38,047
-	-	9,999
<u>38,274</u>	<u>-</u>	<u>2,915,012</u>
926	34	558,916
-	1,919	3,743,428
<u>\$ 926</u>	<u>\$ 1,953</u>	<u>\$ 4,302,344</u>

TOWNSHIP OF ADDISON
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended March 31, 2008

Amounts reported for governmental activities in the statement of activities are different because

Net change in fund balances - total governmental funds	\$	558,916
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<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation expense in the current period.</p>		(122,871)
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<p>The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>		<div style="border-top: 1px solid black; margin-top: 5px;">87,137</div>
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Change in net assets in governmental activities	\$	<div style="border-top: 1px solid black; border-bottom: 3px double black; margin-top: 5px;">523,182</div>
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TOWNSHIP OF ADDISON
Statement of Fiduciary Net Assets
March 31, 2008

	Tax Collection Fund	Agency Fund
<u>ASSETS</u>		
Cash	\$ <u>2,694,125</u>	\$ <u>329,423</u>
<u>LIABILITIES</u>		
Due to Other	\$ <u>2,694,125</u>	\$ <u>329,423</u>

TOWNSHIP OF ADDISON
Notes to Financial Statements
March 31, 2008

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Township is governed by an elected seven member Board of Trustees. Services are provided to approximately 6,107 residents in the areas of police and fire protection, parks, and planning and zoning.

As required by generally accepted accounting principles, these financial statements present the Township of Addison. The Township has no component units which are required to be included in these financial statements.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, are normally supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

TOWNSHIP OF ADDISON
Notes to Financial Statements
March 31, 2008

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation – Continued

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the Township.

Governmental Funds

The Township reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Police Protection Fund is a special revenue fund used to account for property tax levy and contract payments to the Oakland County Sheriff's Department.

The Fire Operating Special Revenue Fund is used to account for voted property tax levies to operate the Township's fire department.

The Fire Capital Special Revenue Fund is used to account for voted property tax levies to purchase equipment, vehicles, and buildings for the fire department.

The Glen Meadow Special Assessment Debt Service Fund is used to collect the special assessment revenues for the repayment of principal and interest.

TOWNSHIP OF ADDISON
Notes to Financial Statements
March 31, 2008

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation – Continued

In addition, the Township reports on the following fund types:

Permanent funds are used to report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs. This includes the cemetery expendable trust fund for the municipal cemetery.

Fiduciary Funds

Fiduciary Funds account for assets held by the government in a trustee capacity or as an agent on behalf of others. Fiduciary funds include the following fund types:

Agency Funds are used to account for assets that the government holds for others in an agency capacity. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes. When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as needed.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

TOWNSHIP OF ADDISON
Notes to Financial Statements
March 31, 2008

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

D. Assets, Liabilities and Net Assets or Equity

1. Deposits and Investments

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits and short term investments with original maturities of three months or less from the date of acquisition. State statutes authorize the Township to invest in obligations of the U.S. Treasury, commercial paper of certain investment grades, and deposits of Michigan commercial banks. Investments for the Township are recorded at fair value.

2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds" (i.e. the current portion of interfund loans) or "advances to/from other funds" (i.e. non-current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources. All trade and property tax receivables are shown net of allowance for uncollectible accounts, which are recorded at \$-0- at March 31, 2008.

3. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of capitalized value of the assets constructed. Property, plant and equipment is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings & Improvements	15-30
Equipment	5-15
Infrastructure	30

TOWNSHIP OF ADDISON
Notes to Financial Statements
March 31, 2008

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

D. Assets, Liabilities and Net Assets or Equity – Continued

4. Compensated Absences

In accordance with Township's internal policy, individual employees have vested rights upon termination of employment to receive payment for unused vacation and sick leave under formulas and conditions specified. All sick and vacation pay is accrued when incurred in the government-wide financial statements. This liability is composed of employees who retire and any unused vacation paid upon termination of employment. The total liability at March 31, 2008 is \$24,657.

5. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

Long-term debt is recognized as a liability of a governmental fund when due. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the Statement of Net Assets.

6. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

TOWNSHIP OF ADDISON
Notes to Financial Statements
March 31, 2008

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet And the Statement of Net Assets

The governmental fund balance sheet includes a reconciliation between *fund balance - total governmental funds* and *net assets - governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this \$813,946 difference are as follows:

Installment Note Payable	\$ 535,289
Compensated Absences	24,657
Special Assessment Bond	<u>254,000</u>
	<u>\$ 813,946</u>

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances - total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this \$(122,871) difference are as follows:

Capital Outlay	\$ 9,999
Depreciation Expense	<u>(132,870)</u>
	<u>\$ (122,871)</u>

Another element of that reconciliation states that "the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds". The details of this \$87,137 difference are as follows:

Debt Principal Repayments	\$ 100,887
Compensated Absences increase	<u>(13,750)</u>
	<u>\$ 87,137</u>

TOWNSHIP OF ADDISON
Notes to Financial Statements
March 31, 2008

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The Township is legally subject to the budgetary control requirements of the State of Michigan P.A. 621 of 1978 (Uniform Budgeting Act). The following is a summary of the requirements of this act:

- a. Budgets must be adopted for the General and Special Revenue Funds.
- b. Budgets must be balanced.
- c. Budgets must be amended as necessary.
- d. Public hearings must be held prior to adoption.
- e. Expenditures cannot exceed budget appropriations.
- f. Expenditures must be authorized by a budget appropriation prior to being incurred.

The Township follows these procedures in establishing the budgetary data reflected in these financial statements:

1. Prior to March 31, the Township Supervisor submits to the Township Board a proposed operating budget for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them, for the General and Special Revenue Funds. These are prepared on the activity level basis using the modified accrued method of accounting.
2. Public hearings are conducted at the Township office to obtain taxpayer comments.
3. Prior to March 31, the budget is legally enacted on a departmental (activity) basis through passage of a resolution.
4. The Township Board must approve any revisions that alter the total expenditures of any department.
5. Budget appropriations lapse at year end.
6. The Township Board may authorize supplemental appropriations (budget amendments) during the year. In 2009, budget amendments were made and are reflected in the financial statements.

B. Compliance with P.A. 621 of 1978

1. Deficit Fund Balance

None of the funds have a deficit fund balance as of March 31, 2008.

TOWNSHIP OF ADDISON
Notes to Financial Statements
March 31, 2008

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY – Continued

B. Compliance with P.A. 621 of 1978 – Continued

2. Excess of Expenditures Over Appropriations in Budgetary Funds

The budgets for the General Fund and the Special Revenue Funds are adopted at the activity level. During fiscal year 2008, there were no expenditures in excess of budget appropriations.

C. Public Act 245 of 1999 Compliance

In accordance with the State Construction Code Act, Public Act 245 of 1999, the Township must account for cumulative revenues over or under expenditures generated by the Township's building department from January 1, 2000 and forward.

The cumulative amounts as of March 31, 2008 are as follows:

Cumulative Balance at March 31, 2007	\$ 10,964
Fees Collected in Fiscal Year 2008	81,158
Expenditures in Fiscal Year 2008	<u>(65,208)</u>
Cumulative Balance at March 31, 2008	<u>\$ 26,914</u>

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Under State law, the Township is permitted to invest in deposits with Michigan commercial banks, savings and loans and credit unions, obligations of the U.S. Treasury, and corporate bonds and commercial paper with certain investment grades.

The following information as required by the Governmental Accounting Standards Board Statement Number 40, is presented regarding the Township's deposits and investments:

Custodial Credit Risk. In the event of a bank failure, the Township's deposits may not be recovered. Neither State law nor the Township's investment policy requires consideration of custodial credit risk. As of March 31, 2008, the Township's book

TOWNSHIP OF ADDISON
Notes to Financial Statements
March 31, 2008

IV. DETAILED NOTES ON ALL FUNDS – Continued

A. Deposits and Investments – Continued

balance of its deposits was \$4,718,951. The bank balance was \$4,756,264 which was exposed to custodial credit risk is as follows:

	<u>Bank Balance</u>
Insured by F.D.I.C.	\$ 300,000
Uninsured and Uncollateralized	<u>4,456,264</u>
Total	<u>\$4,756,264</u>

A reconciliation of cash presented on the financial statements is as follows:

Cash and Cash Equivalents per:	
Statement of Net Assets	\$1,695,403
Statement of Fiduciary Net Assets	<u>3,023,548</u>
Total	<u>\$4,718,951</u>

State law limits investments in commercial paper, corporate bonds, and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. The Township's investment policy does not further limit its investment choices.

Interest Rate Risk. The Township's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Township's deposits and investments consisted of the following:

	<u>Fair Value</u>	<u>Weighted Average Maturity</u>
Deposits and Investments:		
Savings and Checking Accounts	\$ 3,904,848	Demand
Pooled Funds	\$ 591,259	Demand
Certificates of Deposit	\$ 260,157	146 Days

TOWNSHIP OF ADDISON
Notes to Financial Statements
March 31, 2008

IV. DETAILED NOTES ON ALL FUNDS – Continued

A. Deposits and Investments – Continued

Credit Risk. State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Township's investment policy does not further limit its investment choices. As of year end, all deposits and investments consist of demand accounts, pooled investments, certificates of deposit, all of which are not rated.

Concentration of Credit Risk. The Township's investment policy places no limit on the amount the Township may invest in any one issuer. The Township does not have more than 5% of its total investments in a single issuer.

B. Capital Assets

Capital asset activity for the year ended March 31, 2008 was as follows:

<u>Governmental Activities:</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital Assets, not depreciated:				
Land	\$ <u>3,125,000</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>3,125,000</u>
Capital Assets, being depreciated:				
Building and Improvements	1,607,779	-	-	1,607,779
Vehicles and Equipment	1,133,142	9,999	-	1,143,141
Infrastructure	<u>260,820</u>	<u>-</u>	<u>-</u>	<u>260,820</u>
	<u>3,001,741</u>	<u>9,999</u>	<u>-</u>	<u>3,011,740</u>
Less: Accumulated Depreciation:				
Building and Improvements	(237,900)	(54,022)	-	(291,922)
Vehicles and Equipment	(810,188)	(70,154)	-	(880,342)
Infrastructure	<u>-</u>	<u>(8,694)</u>	<u>-</u>	<u>(8,694)</u>
	<u>(1,048,088)</u>	<u>(132,870)</u>	<u>-</u>	<u>(1,180,958)</u>
Governmental Activities Capital Assets, net	\$ <u>5,078,653</u>	\$ <u>(122,871)</u>	\$ <u>-</u>	\$ <u>4,955,782</u>

Depreciation expense was charged on the Statement of Activities as follows:

General Government	\$ 2,524
Public Safety	121,652
Public Works	<u>8,694</u>
	\$ <u>132,870</u>

TOWNSHIP OF ADDISON
Notes to Financial Statements
March 31, 2008

IV. DETAILED NOTES ON ALL FUNDS – Continued

C. Interfund Receivables and Payables

The composition of interfund balances as of March 31, 2008, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Fire Operating	\$ 525
Police Protection	General Fund	2,299
		<u>\$ 2,824</u>

The interfund balances represent uncleared balances at year end, arising in the normal course of business.

D. Long-Term Debt

The following is a summary of long-term debt transactions of the Township for the year ended March 31, 2008:

	<u>Balance</u> <u>April 1, 2007</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>March 31, 2008</u>	<u>Due Within</u> <u>One Year</u>
Governmental Activities:					
Installment Note Payable	\$ 614,176	\$ -	\$ 78,887	\$ 535,289	\$ 81,631
Special Assessment Bond	276,000	-	22,000	254,000	26,000
Compensated Absences	10,907	13,750	-	24,657	-
	<u>\$ 901,083</u>	<u>\$ 13,750</u>	<u>\$ 100,887</u>	<u>\$ 813,946</u>	<u>\$ 107,631</u>

Following is a detailed description of each of the above debts:

During 2004, the Township financed a portion of the new fire station with an installment note through Oxford Bank with an interest rate of 3.495%, a maturity date of May 1, 2013, and annual payments of \$100,660 including interest.

In April 2006, the Township issued Glen Meadows Special Assessment Bonds, Series 2006, in the amount of \$276,000, with an interest rate of 5.10%, maturing in 2016.

The following is a summary of general obligation debt outstanding (excluding compensated absences and contingencies) of the Township as of March 31, 2008:

	<u>Number of</u> <u>Issues</u>	<u>Interest</u> <u>Rate</u>	<u>Maturing</u> <u>Through</u>	<u>Principal</u> <u>Outstanding</u>
Governmental Activities:				
Installment Note	1	3.495%	2013	\$ 535,289
Special Assessment Bond	1	5.100%	2016	254,000
Total				<u>\$ 789,289</u>

TOWNSHIP OF ADDISON
Notes to Financial Statements
March 31, 2008

IV. DETAILED NOTES ON ALL FUNDS – Continued

D. Long-Term Debt – Continued

The annual debt service requirements to maturity for general obligation debt outstanding as of March 31, 2008 are as follows:

<u>Year Ended</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2009	\$ 107,631	\$ 31,983
2010	112,575	27,712
2011	116,545	23,315
2012	121,675	18,705
2013	125,870	13,930
2014-2016	<u>204,993</u>	<u>14,665</u>
	<u>\$ 789,289</u>	<u>\$ 130,310</u>

E. Reserved Fund Balance

A detailed description of fund balance reservations and designations (for all governmental fund types) at March 31, 2008, is presented below:

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Permanent</u>
<u>Fund Balance</u>				
Reserved for Cemetery	\$ -	\$ -	\$ -	\$ 1,953
Reserved for Site Cleanup	85,846	-	-	-
Reserved for Debt	-	-	926	-
Unreserved:				
Undesignated	<u>1,503,210</u>	<u>2,710,409</u>	<u>-</u>	<u>-</u>
Total Fund Balance	<u>\$ 1,589,056</u>	<u>\$ 2,710,409</u>	<u>\$ 926</u>	<u>\$ 1,953</u>

F. Property Taxes

Property tax assessments are assessed as of each December 31. The Township tax levy is billed on December 1 of the following year, and payable through February. Taxes are considered delinquent on March 1, at which time the applicable property is subject to lien and penalty and interest is assessed. Township property tax revenues are accounted for in the General Fund, Police Protection Fund, Fire Operating Fund, and Fire Capital Fund, and are recognized in the current year as revenue in accordance with guidelines of the State of Michigan.

TOWNSHIP OF ADDISON
Notes to Financial Statements
March 31, 2008

IV. DETAILED NOTES ON ALL FUNDS – Continued

F. Property Taxes – Continued

The following is a summary of the tax rates levied on the 2007 tax roll:

<u>Purpose</u>	<u>Authorization</u>	<u>Authorized Rate</u>	<u>Per \$1,000 of State Equalized Value</u>	
			<u>Authorized Rate Post "Roll Back"</u>	<u>Rate Levied</u>
Operating	Statute	1.4100	1.0748	1.0425
Library	Voted	.7500	.5716	.5716
Police	Voted	3.5000	3.4874	3.2500
Police	Voted	1.0000	.7500	.7500
Fire Operating	Voted	.7500	.5716	.5716
Fire Operating	Voted	.7500	.7371	.7371
Fire Operating	Voted	.7500	.7473	.7473
Fire Capital	Voted	.5000	.4476	.4261
Fire Capital	Voted	.2500	.2237	.2129

V. OTHER INFORMATION

A. Risk Management

The Township of Addison purchases commercial insurance for its workers compensation coverage and is a member of the Michigan Municipal Risk Management Authority risk pool for its property and general liability insurance coverage. The Township pays annual premiums to the pool. The pool is self-sustaining through member premiums.

In the event that a single loss should exceed the amount of protection afforded by the pool loss reserve fund, or in the event that a series of losses should deplete or exhaust the loss reserve fund, the payment of valid losses shall be the obligation of the individual member or members of the respective pool against whom the claim was made.

No such event has occurred with the Township of Addison and the pools to which it belongs in any of the past three fiscal years.

TOWNSHIP OF ADDISON
Notes to Financial Statements
March 31, 2008

V. OTHER INFORMATION – Continued

B. Joint Venture

The Township is a member of the North Oakland Transportation Authority (NOTA), which provides transportation services to the residents of Oxford, Orion, and Addison Townships. The participating communities provide annual funding for its operations. During the current year, the Township contributed \$18,063 for its operations. The North Oakland Transportation Authority is not considered a part of the reporting entity of Addison Township. Separate financial statements of the joint venture may be obtained at North Oakland Transportation Authority, 720 James Hunt Dr., PO Box 96, Oxford, Michigan 48371.

REQUIRED SUPPLEMENTARY INFORMATION

TOWNSHIP OF ADDISON
General Fund
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Year Ended March 31, 2008

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
Revenues:				
Property Taxes	\$ 352,210	\$ 352,210	\$ 365,516	\$ 13,306
Licenses and Permits	89,000	89,000	82,760	(6,240)
Intergovernmental - Federal/CDBG	18,000	18,000	17,668	(332)
Intergovernmental - State	439,832	439,832	432,570	(7,262)
Intergovernmental - County	86,000	115,000	87,466	(27,534)
Charges for Services	114,750	114,750	119,662	4,912
Interest	40,000	40,000	101,292	61,292
Other	105,450	105,450	18,970	(86,480)
Total Revenues	<u>1,245,242</u>	<u>1,274,242</u>	<u>1,225,904</u>	<u>(48,338)</u>
Expenditures:				
General Government:				
General Administration	239,200	239,200	229,609	9,591
Supervisor	87,252	93,752	89,034	4,718
Elections	28,500	28,500	13,272	15,228
Legal and Audit	194,900	194,900	110,707	84,193
Assessor	45,500	45,500	40,289	5,211
Clerk	109,665	109,665	108,720	945
Board of Review	600	1,600	188	1,412
Treasurer	99,714	99,714	99,448	266
Building and Grounds	22,350	22,350	20,404	1,946
Cemetery	40,500	40,500	27,574	12,926
Total General Government	<u>868,181</u>	<u>875,681</u>	<u>739,245</u>	<u>136,436</u>
Public Safety:				
Safety Inspections	<u>75,700</u>	<u>81,200</u>	<u>65,208</u>	<u>15,992</u>
Planning and Zoning:				
Planning	52,000	52,000	41,408	10,592
Zoning Board of Appeals	4,350	4,350	1,593	2,757
Total Planning and Zoning	<u>56,350</u>	<u>56,350</u>	<u>43,001</u>	<u>13,349</u>
Public Works:				
Engineering	23,500	23,500	14,424	9,076
Street Lights	8,000	8,000	6,328	1,672
Roads	164,000	207,500	169,344	38,156
Total Public Works	<u>195,500</u>	<u>239,000</u>	<u>190,096</u>	<u>48,904</u>
Parks	<u>24,100</u>	<u>24,100</u>	<u>8,840</u>	<u>15,260</u>
Other Functions	<u>60,000</u>	<u>32,500</u>	<u>-</u>	<u>32,500</u>
Total Expenditures	<u>1,279,831</u>	<u>1,308,831</u>	<u>1,046,390</u>	<u>262,441</u>
Excess (Deficiency) of Revenues Over Expenditures	(34,589)	(34,589)	179,514	214,103
Fund Balance - April 1	<u>1,409,542</u>	<u>1,409,542</u>	<u>1,409,542</u>	<u>-</u>
Fund Balance - March 31	<u>\$ 1,374,953</u>	<u>\$ 1,374,953</u>	<u>\$ 1,589,056</u>	<u>\$ 214,103</u>

TOWNSHIP OF ADDISON
Police Protection Special Revenue Fund
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Year Ended March 31, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property Taxes	\$ 1,060,000	\$ 1,060,000	\$ 1,114,088	\$ 54,088
Interest	12,000	12,000	22,422	10,422
Other	10,000	10,000	25,870	15,870
Total Revenues	<u>1,082,000</u>	<u>1,082,000</u>	<u>1,162,380</u>	<u>80,380</u>
Expenditures:				
Police Protection	<u>945,290</u>	<u>945,290</u>	<u>931,830</u>	<u>13,460</u>
Net Change in Fund Balance	136,710	136,710	230,550	93,840
Fund Balance - April 1	<u>1,091,692</u>	<u>1,091,692</u>	<u>1,091,692</u>	<u>-</u>
Fund Balance - March 31	<u><u>\$ 1,228,402</u></u>	<u><u>\$ 1,228,402</u></u>	<u><u>\$ 1,322,242</u></u>	<u><u>\$ 93,840</u></u>

TOWNSHIP OF ADDISON
Fire Operating Special Revenue Fund
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Year Ended March 31, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
Revenues:				
Property Taxes	\$ 672,800	\$ 672,800	\$ 704,781	\$ 31,981
Interest	10,000	10,000	23,972	13,972
Other	80,000	80,000	81,754	1,754
Total Revenues	<u>762,800</u>	<u>762,800</u>	<u>810,507</u>	<u>47,707</u>
Expenditures:				
Fire Protection	<u>812,800</u>	<u>812,800</u>	<u>759,490</u>	<u>53,310</u>
Excess (Deficiency) of				
Revenues Over Expenditures	(50,000)	(50,000)	51,017	101,017
Fund Balance - April 1	<u>775,411</u>	<u>775,411</u>	<u>775,411</u>	<u>-</u>
Fund Balance - March 31	<u>\$ 725,411</u>	<u>\$ 725,411</u>	<u>\$ 826,428</u>	<u>\$ 101,017</u>

TOWNSHIP OF ADDISON
Fire Capital Special Revenue Fund
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Year Ended March 31, 2008

	<u>Budgeted Amounts</u>			<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
Revenues:				
Property Taxes	\$ 219,000	\$ 219,000	\$ 219,699	\$ 699
Interest	5,000	5,000	16,204	11,204
Total Revenues	<u>224,000</u>	<u>224,000</u>	<u>235,903</u>	<u>11,903</u>
Expenditures:				
Public Safety	51,340	51,340	28,369	22,971
Capital Outlay	315,000	315,000	9,999	305,001
Debt Service:				
Principal	78,887	78,887	78,887	-
Interest and Fees	21,773	21,773	21,773	-
Total Expenditures	<u>467,000</u>	<u>467,000</u>	<u>139,028</u>	<u>327,972</u>
Excess (Deficiency) of Revenues Over Expenditures	(243,000)	(243,000)	96,875	339,875
Fund Balance - April 1	<u>464,864</u>	<u>464,864</u>	<u>464,864</u>	<u>-</u>
Fund Balance - March 31	<u>\$ 221,864</u>	<u>\$ 221,864</u>	<u>\$ 561,739</u>	<u>\$ 339,875</u>

POST, SMYTHE, LUTZ and ZIEL

of Plymouth LLP
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January 15, 2009

Board of Trustees
Township of Addison
Oakland County, Michigan

In planning and performing our audit of the financial statements of the Township of Addison as of and for the year ended March 31, 2008 in accordance with auditing standards generally accepted in the United States of America, we considered the Township's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and/or material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control:

The volume and complexity of the Township's accounting records, especially the year end closing process, continues to be a significant amount of work, which requires numerous journal entries to the Township's general ledger at year end as part of the audit process. We recommend that more timely reconciliations be made, which may reduce the year end work.

The Township has relied on its auditors to assist in the preparation of the government-wide financial statements and footnotes. The Township has decided it is more cost effective to outsource the preparation of its financial statements to the auditors. The result is that the Township does not have controls in place to prepare the government-wide financial statements and footnotes in accordance with generally accepted accounting principles. The Township does accept responsibility for their content and presentation.

This communication is intended solely for the information and use of management and the Board of Trustees of the Township of Addison and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

A handwritten signature in black ink that reads "Post Smythe Lutz and Ziel of Plymouth". The signature is written in a cursive, flowing style.

Post, Smythe, Lutz and Ziel of Plymouth LLP
Certified Public Accountants

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January 15, 2009

To the Board of Trustees
Township of Addison
Oakland County, Michigan

We have audited the financial statements of the Township of Addison for the year ended March 31, 2008, and have issued our report thereon dated December 10, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated September 9, 2008, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of the Township of Addison. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on September 9, 2008.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Township of Addison are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2008. We noted no transactions entered into by the Township during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Estimates of the allowance for doubtful accounts for property tax collections are based on historical collection statistics.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements related to those estimates discussed in the section above.

Difficulties Encountered in Performing the Audit

The completion of the audit was delayed because necessary reports and reconciliations were not made available to audit staff until much later than usual; therefore audit field work was started late.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. There were no misstatements during our audit.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 11, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Township's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Township's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Trustees and management of the Township of Addison and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

A handwritten signature in black ink that reads "Post Smythe Lutz and Ziel of Plymouth". The signature is written in a cursive, flowing style.

Post, Smythe, Lutz and Ziel of Plymouth LLP
Certified Public Accountants